OLR Bill Analysis
sSB 1052

AN ACT CONCERNING IMPROVED TAX COLLECTION.

SUMMARY:

This bill changes the point at which the sales tax on cigarettes is collected and remitted to the state.

Under current law, licensed cigarette dealers collect sales tax on cigarettes from customers at the point of purchase and remit the tax to the state. The bill instead requires "stampers" (i.e., anyone allowed to buy unstamped cigarettes and put cigarette tax stamps on them) and non-stamping licensed cigarette distributors to (1) collect sales tax on cigarettes they sell to licensed dealers and (2) remit the tax the same as other sellers (i.e., retailers). It requires licensed dealers to similarly collect the tax when selling cigarettes to a customer, but allows them to claim a credit against the sales tax equal to the amount of taxes they paid to the distributor or stamper.

The bill also (1) reduces the period during which the state must pay interest on overpayments of gift, estate, and gross earnings taxes and (2) exempts from the petroleum products gross earnings tax the first sale of cosmetic grade mineral oil sold on or after July 1, 2013.

EFFECTIVE DATE: July 1, 2013, except that the (1) cigarette sales tax provision is effective January 1, 2014 and applicable to sales occurring on or after that date; (2) estate tax overpayment provisions are effective July 1, 2013 and applicable to deaths occurring on or after that date; and (3) remaining tax overpayment provisions are effective July 1, 2013 and applicable to refunds issued on or after that date.

SALES TAX ON CIGARETTE SALES

The bill imposes the sales tax on gross receipts on sales of stamped cigarette packages to licensed cigarette dealers by stampers and non-stamping licensed cigarette distributors. It applies to two transaction chains, both initiated by stampers.

Under the first transaction chain, when a stamper sells stamped packages of cigarettes to a licensed dealer, the sale must be treated as a retail sale and not a "sale for resale" (i.e., wholesale). The stamper must (1) collect sales tax from the dealer, even if the licensed dealer presents a valid resale certificate; (2) separately state the tax on its invoice; and (3) file sales tax returns and remit the tax to the state the same as retailers.

The licensed dealer similarly must collect the tax when it sells a stamped package of cigarettes to a customer, but when calculating the sales price, the dealer cannot include the tax amount it paid to the stamper. The bill allows the dealer to claim a credit against the sales tax due during a reporting period on its retail cigarette sales equal to the amount of tax it paid to the stamper during the same reporting period.

The second transaction chain starts when the stamper sells stamped cigarettes to a non-stamping distributor, who then sells them to a licensed dealer. The bill requires that the sale between the non-stamping distributor and the dealer be treated as a retail sale and not a sale for resale. The same requirements that apply to the stamper in the above transaction apply to the non-stamping distributor. Similarly, when the licensed dealer sells the cigarettes to customers, it must collect the tax and remit it the same way it does for cigarettes purchased directly from a stamper.

PERIOD FOR PAYING INTEREST ON TAX OVERPAYMENTS

By law, the state pays 0.66% per month or part of a month in interest to taxpayers when they overpay the gift tax; estate tax; or gross earnings taxes on railroad companies, cable and satellite television and video service providers, utility companies, and petroleum products distributors. Under current law, the period for paying interest on:

1. gift tax overpayments begins on the tax return's due date or the

date the tax was paid, whichever is later;

2. gross earnings taxes overpayments is the period between the (a) later of the taxes' due date or the date they were overpaid and (b) date of the revenue services commissioner's notice that refunds are due (excluding refunds due to intentional overpayments); and

3. estate tax overpayments depends on the day a decedent died. For those who died before July 1, 2009, the state pays interest starting nine months after the transferor's death or the payment date, whichever is later. For those dying after that date, the period begins six months after the transferor's death or the payment date, whichever is later.

The bill shortens the period for paying interest for overpayments for these various taxes, depending on whether the overpayment was made pursuant to a tax return or amended tax return. For tax returns, the period for paying interest begins 91 days after the later of the (1) deadline for filing the return or (2) date the return was filed. In the case of gift and estate tax returns, the deadline for filing the return is determined regardless of any filing extension. For amended tax returns, the period begins 91 days after the amended tax returned was filed.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea	49	Nay	0	(04/12/2013)